

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: March 2, 2007

Bill Number: H.B. 3562

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by enacting the "Healthy Communities Capacity Act" by adding Article 11 to Chapter 6, Title 44 so as to establish the Small Business Health Insurance Premium Assistance Program within the Department of Health and Human Services to provide health insurance premium assistance to small businesses for employees who are at or under two hundred percent of the federal poverty level, to establish eligibility criteria for small businesses to participate in the program, to require eligible employees to contribute up to fifteen percent of the premium cost, to require the department to place caps on the number of employees that may enroll in the program so that no more funds are expended than are available for this program from the Medicaid Match Fund, to provide that this program must be funded from a portion of an additional 4.65 cents per cigarette license tax which must be adjusted annually based on the consumer price index, and to direct the department to apply for a Medicaid waiver to implement this program; to provide that the department shall provide Medicaid coverage to children eighteen years of age and younger whose family incomes do not exceed two hundred percent of the federal poverty level; to create the Medicaid Match Fund into which a portion of the additional cigarette tax must be deposited; to add Section 12-21-630 so as to provide for an additional 4.65 cent license tax on each cigarette to fund the Small Business Health Insurance Premium Program and to provide for the distribution of the remaining portion of this additional tax to the Department of Health and Environmental Control, the Parks and Recreation Development Fund, the State Department of Education, and the Department of Agriculture; and to add Article 9 to Chapter 6, Title 44 so as to establish the Second Chance Quit Assistance Program within the Department of Health and Human Services to provide additional counseling to expanded smoking cessation services for Medicaid smokers who have unsuccessfully attempted to quit smoking under current Medicaid programs, to direct the department to apply for a Medicaid waiver for this program, to provide that funding for this program must be provided from the Medicaid Match Fund, and to provide that funding for the Small Business Health Insurance Premium Assistance Program takes priority over the Second Chance Quit Assistance Program.

REVENUE IMPACT ^{1/}

This bill is expected to increase business license tax revenue by an estimated \$245,280,000 in FY2007-08. This bill would also reduce General Fund business license tax revenue by an estimated \$9,166,730 in FY2007-08.

Explanation

This bill would add Section 12-21-630 to allow an additional 4.65 cents to be levied on each cigarette made of tobacco or any substitute for tobacco pursuant to Section 12-21-620(1). An additional 4.65 cents on each cigarette equates to a 93-cent surcharge on each pack of 20 cigarettes, raising the state excise tax to 100 cents per pack of 20 cigarettes. Beginning July 1, 2007, and annually thereafter, this bill would adjust the additional excise tax rate upward by the percentage increase in the Consumer Price Index during the last completed calendar year. The CPI increased 3.2 percent during calendar year 2006. This would increase the additional excise tax rate upward to a 96-cent surcharge on each pack of 20 cigarettes, raising the state excise tax to 103 cents per pack of 20 cigarettes. The higher surcharge is expected to generate an estimated \$245,280,000 of business license tax revenue in FY2007-08. Of this amount, \$99,100,000 is dedicated for various health and smoking cessation programs with the remaining funds to be placed into a separate and distinct fund styled the Medicaid Match Fund. Because the higher tax will reduce cigarette demand, the Business License tax currently allocated to the General fund will be reduced by an estimated \$9,166,730 in FY2007-08.

/s/ WILLIAM C. GILLESPIE, PH.D.

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.